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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000487

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SUBJECT: KMT HONORARY CHAIRMAN LIEN CHAN ON CROSS-STRAIT  
RELATIONS, PARTY POLITICS

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. (C) Summary: Honorary KMT Chairman Lien Chan suggested to the Director on April 3 that Ma Ying-jeou's victory is also a win for the U.S., because Ma will restore stability and predictability to cross-Straits relations, easing U.S. security concerns. Lien expressed appreciation for President Bush's efforts to "lay the foundation" for future cross-Straits dialogue in his recent phone discussion with PRC President Hu Jintao. According to Lien, Ma will now focus on expanded cross-Straits economic links, reserving more difficult questions for later. Lien surmised it may be too early for Beijing to give ground on WHA observership, and he worried about the possibility of further diplomatic losses to China. Lien commended Ma for his commitment to democracy and human rights, but added that Ma can sometimes be too rigid in his approach to political problems. Lien said he will not assume a high-profile role in the Ma administration, but will do whatever President Ma deems helpful. End Summary.

#### Mandate Helps Smooth Transition

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12. (C) In a meeting on April 3, the Director congratulated KMT Honorary Chairman Lien Chan on the party's successes in the January 12 and March 22 legislative and presidential elections. Although KMT polls predicted a landslide Ma victory, Lien noted, the campaign staff feared late-breaking "surprises" could tip the election in DPP candidate Frank Hsieh's favor. The public has given Ma a clear mandate, the Director continued, which, combined with Frank Hsieh's gracious concession, should facilitate a calm and orderly transition.

13. (C) The U.S. has encouraged Beijing to take advantage of Ma's victory to improve cross-Straits relations, said DIR. President Bush's congratulatory letter to President-elect Ma, and his subsequent telephone call to PRC President Hu Jintao were both intended to urge Beijing to take concrete steps. Hu's recent affirmation of the "92 Consensus" was a positive step, the Director added, and Washington will continue to urge Beijing to be more flexible in reaching out to Taiwan and its new president.

#### U.S. Deserves Credit for Taiwan's Democracy

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14. (C) The U.S. should also be congratulated on the result of Taiwan's presidential election, Lien maintained. Many political pundits in Taiwan have argued that, with Ma's victory and the defeat of the two UN referenda, the U.S. was the biggest winner on March 22. Taiwan's democracy is patterned after the U.S. model, according to Lien. The incident-free March presidential election will be followed in May by Taiwan's second peaceful transition of power. The U.S. can and should take credit for enabling Taiwan's democratic evolution, Lien suggested. With Ma's victory, Lien added, Taiwan will cease being a "troublemaker." Cross-Strait relations should become more stable and predictable, dramatically reducing the possibility of armed conflict.

#### Way Forward on Cross-Strait

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15. (C) President Bush's call to Hu Jintao and Hu's tacit acceptance of the '92 Consensus have "laid the foundation" for the future development of cross-Strait relations, observed Lien. Ma understands his promise to restore Taiwan's economic growth won him the election, and that voters are expecting significant improvement soon. For this reason, Ma will follow the step-by-step plan announced during his campaign: cross-Strait chartered flights and expanded PRC tourism, followed by regular direct flights, with significant deregulation of cross-Strait investment, insurance, and banking activity to come later. Only after these milestones are achieved, Lien argued, will Taipei and Beijing be in a position to focus on "sensitive" topics like Taiwan's international participation and an eventual "peace agreement."

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#### International Participation: Too Soon

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16. (C) The Director noted Taiwan's international participation would become an issue at the WHA assembly meeting scheduled to begin on May 19, the day before Ma's inauguration. The international participation issue is the "most difficult one in the whole (cross-Strait) process," replied Lien. Even if President Chen and the KMT agree to seek observership instead of full membership, worried Lien, Beijing "might not be ready" to let Taiwan into the WHA, even though doing so would help build goodwill. On the contrary, China's Foreign Ministry remains dedicated to stealing Taiwan's diplomatic allies away. Lien expressed concern that the loss of one or more diplomatic allies could undermine public support for closer cross-Strait ties. To the best of his knowledge, Lien added, no one from the KMT has been urging Beijing to ease its pressure on Taiwan's diplomatic partners.

17. (C) The PRC is typically cautious and slow to change, the Director observed. Beijing may have been so preoccupied with the possibility the DPP UN referendum would pass that it neglected to plan its response to a Ma presidential victory. The U.S. does not want to become directly involved, the Director said, but will continue to use its contacts on both sides to encourage Beijing and Taipei to talk to each other.

#### Ma Problem-Solving Too Legalistic

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18. (C) This time around, Lien, who in past meetings has tended to be somewhat critical of Ma, took some credit for Ma's victory. Lien recalled that he had nominated Ma to become a KMT vice chairman, and had also appointed Ma to serve as Justice Minister under President Lee Teng-hui. As director of the KMT's Youth Supervision Committee, Ma's father, Ma Ho-ling, reported to Lien. On this basis, Lien claimed a "close relationship for many years" with Ma and his family. At the same time, Lien observed, Ma has his

strengths, but also "weaknesses." Because Ma was raised and educated by the KMT, Lien argued, he is a "nationalist" who identifies with the ROC, not Taiwan. Ma is staunchly anti-communist, but not anti-China, and his deep commitment to freedom, democracy, and human rights is a product of his legal studies in the U.S. Reverting to his usual self, Lien suggested that Ma's problem-solving style is often too legalistic and inflexible -- if you wish to know how Ma will act, he quipped, "just look in the rule book."

Lien: DPP Can't Compete

¶9. (C) After eight years of bitter conflict, the Director suggested, it is now time for Taiwan's major political parties to seek reconciliation. The DPP is acting rationally after its recent string of defeats, trying to determine how it must change to meet voters' expectations. As the ruling party, the KMT should treat the opposition with respect, and seek common ground on matters of importance to Taiwan's future. Whether the DPP can survive its recent setbacks remains an "open question," replied Lien. The DPP is riven by factions which threaten to tear the party apart. Moreover, only 13 of the DPP's 27 sitting legislators were elected from geographic districts, some by only very slim margins. The DPP can't compete against the KMT in the Legislative Yuan (LY), Lien observed, especially with a KMT president in power.

¶10. (C) Lien said he will not assume a high-profile role in the Ma administration, but will do whatever President Ma deems helpful. Lien noted that Beijing had recently invited him to visit, but stressed he would travel to the mainland only when the "timing was right." Lien added that he would travel in his private capacity, and with only a small group, in order to stave off DPP criticism that he and the KMT were "selling out Taiwan."

Comment

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¶11. (C) Lingering friction between Ma and Lien is an open secret in Taiwan politics. That said, Lien is wise to

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maintain party unity as the KMT looks to assumption of power next month, since he and Ma both need one another. Lien wants his proteges and ideas to be included in Ma's governing circles and Ma doesn't want to alienate this key elder as he launches his ambitious ruling agenda. Both also are apparently agreed on the opportunity that Ma's election victory presents for improving cross-Strait ties.

YOUNG